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Westly Supports Debt Proposal Coupled With Reforms to Cut Waste

Controller Steve Westly: "If we are going to borrow big to fix the fiscal crisis, we must deliver big on cutting waste."

Sacramento, CA – State Controller Steve Westly today sent a letter to Governor Arnold Schwarzenegger supporting his debt bond proposal and urging him to deliver on reforms that cut government waste.

"If we are going to borrow big to fix the fiscal crisis, we must deliver big on cutting waste," Westly said. "On October 7, the people of California made it dramatically clear that they want serious government reform at every level, from getting our fiscal house in order to eliminating waste. I am eager to join you in this effort."

Westly said a \$15 billion bond at a ten or fifteen-year term is a reasonable approach when coupled with serious and dramatic waste cutting efforts.

"California is at serious risk of running out of cash in June. It is our responsibility to ensure California's financial solvency and bring about security for the future," Westly continued.

To cut waste and set an example from the top, Westly urged the Governor to eliminate state agency offices that sit between the Governor's office and the departments that serve the people. Westly also urged the Governor's support to restore the Controller's ability to conduct performance audits that examine the efficiency and effectiveness of government.

"If we cut waste at same time as we enact the debt bond, we can avoid big cuts to education and other programs in the future," Westly said. "Together, financial and performance audits expose mismanagement and assure taxpayers' bang for the buck."

Westly announced his support for realistic spending limits that reduce government overspending and provide a budget reserve in the future.

LETTER TO GOVERNOR SCHWARZENEGGER FOLLOWS



STEVE WESTLY
California State Controller

December 3, 2003

Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Schwarzenegger:

On October 7, the people of California made it dramatically clear that they want serious government reform at every level, from getting our fiscal house in order to eliminating waste. I am eager to join you in this effort.

California is at serious risk of running out of cash in June. It is our responsibility to ensure California's financial solvency and bring about security for the future.

I have consistently opposed a longer and larger debt solution for this year's budget crisis because the debt service would be staggering. I am now able to support your reduced bond proposal.

- A \$15 billion bond is essentially the same as the debt previously proposed in the adopted budget.
- California should not borrow over more than ten or fifteen years.
- This is an alternative in case the Fiscal Recovery Bonds (FRBs) are delayed in court.

Most important, if we are going to ask the people to borrow big to fix the fiscal crisis, we must deliver big on government reforms that cut waste.

Reform begins at the top and sets an example for the rest of the government. You can immediately deliver on cutting waste by eliminating many of the state agency offices that sit between your office and departments that serve the people.

My office has the power to perform financial audits that tell us whether government money is spent properly. Restoring our ability to do performance audits gets taxpayers the most bang for their buck. Together, financial and performance audits would be a crucial tool for cutting waste.

To prevent a repeat of the current budget crisis, we have to make reforms that prevent similar crises in the future. Spending limits and meaningful reserves are an effective approach to reduce government overspending.

We should adopt a realistic spending limit that:

- Accounts for critical services, such as health care programs, with caseloads or costs that may grow faster than inflation and personal income.
- Preserves the balance of power between the Governor and Legislature by allowing independent review of revenue and spending estimates.
- Honors the voters' wishes and our obligations to California's children by keeping Constitutional guarantees for education spending.

Spending limits can also help create a larger budget reserve, which can cushion budget shortfalls in the future.

With a smarter and more effective budget policy, we can assure Californians of better financial security in the future. Showing Wall Street that California is serious about getting its fiscal house in order will also improve the State's creditworthiness.

Finally, in the short term, to avoid a potential cash crisis next year, we must ensure that we have the cash necessary in June to meet our obligations. Therefore, my office will continue to work on the sale of the Fiscal Recovery Bonds. In addition, I will seek your support to sell a refunding Revenue Anticipation Warrant (RAW) in June, should both your bond and the Fiscal Recovery Bond not be sold in a timely fashion.

These are difficult but exciting times for California. From our experiences in the private sector, you and I know that creativity and innovation can get the job done. Now let's deliver on the job of cutting waste.

I look forward to working with you and the Legislature during the months ahead.

Sincerely,

Original signed by:

STEVE WESTLY
State Controller

c: Honorable John Burton, President Pro tempore of the Senate
 Honorable Herb Wesson, Speaker of the Assembly
 Honorable Fabian Nunez, Speaker-elect of the Assembly
 Honorable James L. Brulte, Senate Minority Leader
 Honorable Dave Cox, Assembly Minority Leader
 Honorable Kevin McCarthy, Assembly Minority Leader-elect